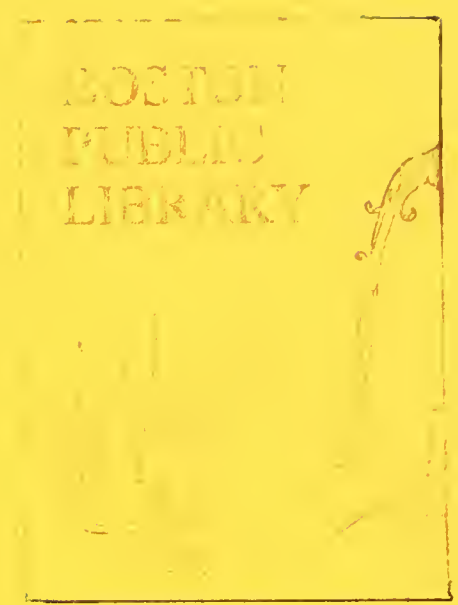


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BOSTON ENTERPRISE

A Program for Neighborhood Job Creation and Economic Growth

City of Boston
Kevin H. White, Mayor

March 1981

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BOSTON ENTERPRISE

A Program for Neighborhood Job Creation and Economic Growth

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March 1981



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I. INTRODUCTION

BOSTON ENTERPRISE

I. INTRODUCTION AND SUMMARY

A. Introduction

Until recent years, the growth and evolution of the American economy took place within our cities. Generations of Americans gravitated to cities because it was there that they found job opportunities and the best chance for financial success. Indeed, going off to the city to seek one's fortune was an integral part in pursuit of the American dream. It was this journey to the city, whether from rural America or a foreign country, which represented a pilgrimage to the locus of opportunity, a move to that place where Americans could begin climbing the ladder of opportunity.

In post-World War II America, business and particularly manufacturing firms, grew up in areas outside cities. Older firms, when they expanded, moved to suburban locations. There is a clear correlation between the relocation of economic activity to areas outside cities and the onset of economic and social problems of our urban centers. Unemployment of urban residents exacerbates the problems of physical decay, crime, the persistence of poverty and the need for publically subsidized social services.

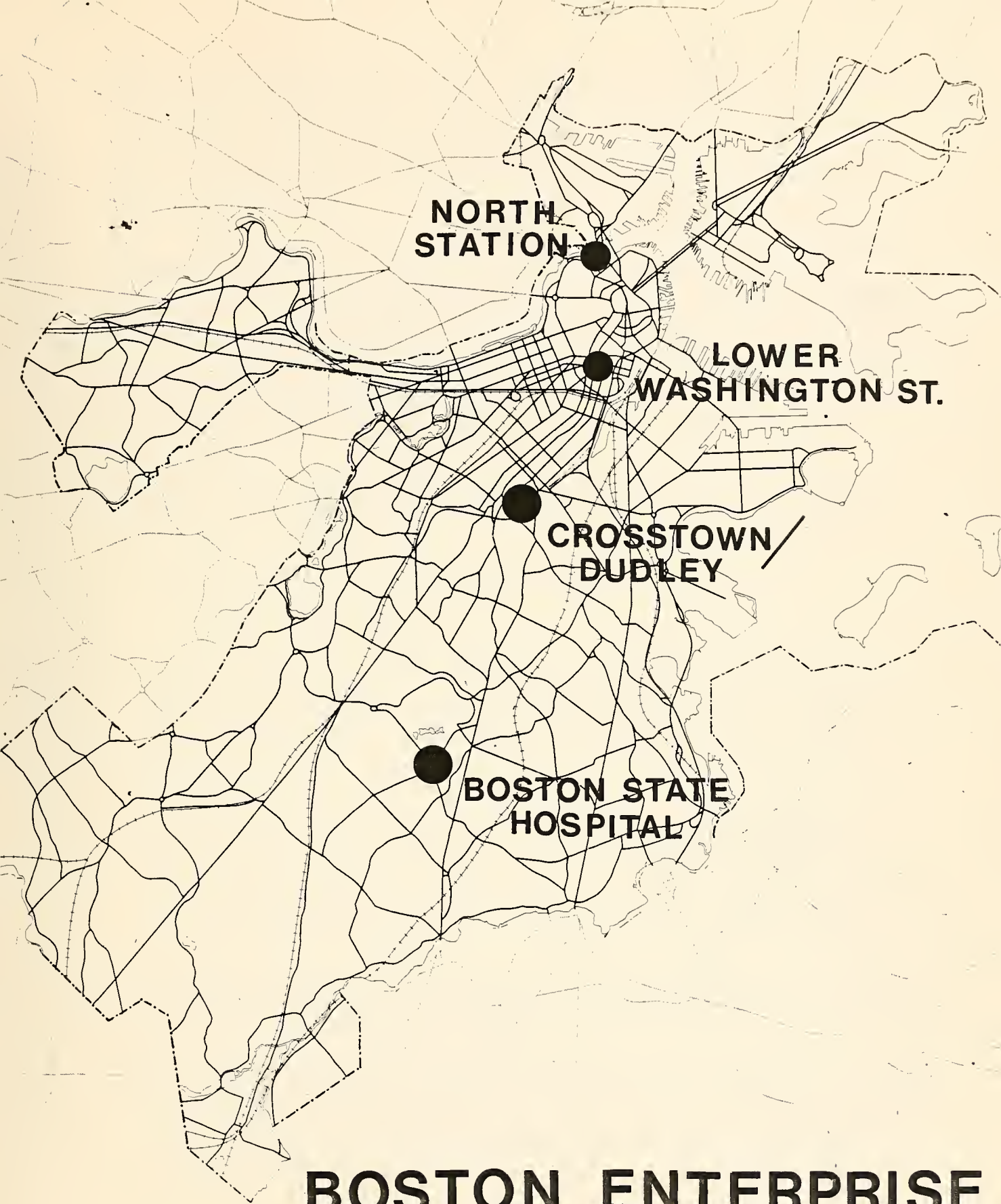
The Reagan Administration has established the revitalization of business and the economy as a top priority. There is a consensus of opinion that improved productivity in business may counter the twin evils of inflation and economic stagnation. Urban centers can play a key role in getting the economy moving again.

The writings of Dr. Stuart Butler of the Heritage Foundation have spurred drafting of legislation proposing a system of tax incentives and regulatory waivers for businesses that will locate or expand operations in inner city neighborhoods and hire inner city residents to fill new jobs created. Thus, a program designed to spur the economy has been linked to a program that encourages greater private investment and job opportunities in our cities.

Using these concepts as a starting point, the City of Boston proposes a program of "enterprise zones" to reaffirm the center city's role as a center of initiatives and innovation, a place where resourcefulness leads to economic growth and expansion. Boston's proposal is aimed at restoring economic vigor to the City and financial independence to its residents.

In formulating this program, Boston has been guided by one principle--the expansion of opportunity. The City is attempting to match greater job opportunities for City residents with greater benefits for private enterprise locating in Boston.

By testing this new concept, Boston's priorities for job creation and economic development can be achieved while helping to refine national urban policy.



BOSTON ENTERPRISE

CITY OF BOSTON

KEVIN H. WHITE, MAYOR

Boston is an appropriate laboratory for testing these concepts because of its pioneering efforts in securing education and employment opportunities for its residents, its proven track record in utilizing Federal and State programs for economic development, its available labor supply force and quality training programs, its educational complexes and research into future technologies, and its relatively healthy regional economy based on high growth industries.

Four priority areas for this effort offer a diverse range of problems and opportunities which match the intent and breadth of this new urban policy initiative. Two proposed areas, Crosstown/Dudley and the Boston State Hospital, are "neighborhood zones," areas which can serve to generate lower skill, blue collar jobs for Boston residents. North Station and Lower Washington Street are "downtown zones," areas which can serve as generators of economic activity and build on its historic role as a center of culture, commerce, and leisure-time activity for the region. This type of "zone" also enhances job and business opportunities for Boston residents.

The areas selected reflect the diversity of the City itself, as a provider of goods and services and as a place with attractions and amenities which benefit the entire region.

B. Summary of the Proposed Enterprise Zone

1. Boston State Hospital

The Boston State Hospital is one of the last opportunities in Boston for planned industrial development. Its 200 acres would nearly double the amount of land currently available in the City for industrial use. The benefits anticipated are significant. Close to 6,000 permanent jobs could be created as well as 3,700 construction jobs.

The first step in developing the project is to identify appropriate industries. High technology industries are the most apparent because they are the fastest growing segment of the economy -- about 20% per year. The jobs would include engineers, technical programmers, assemblers, and other production workers. Opportunities exist for the creation of incubator space for small and minority-owned enterprises.

This range of employment opportunities matches well with the resident population in adjacent neighborhoods, allowing residents to succeed in capturing a large percentage of the employment.

The extent of the site allows for planning of new educational facilities including a job training center and the extension of a major technical university. With employment growth approaching 30% in high demand job categories, the adaptation of existing structures on the site for use as a job training center and extension of a major technical university would be a prime goal of the project.

While it seems prudent to first direct housing stimulus to the rehabilitation of existing homes in nearby housing projects, the area has several hundred open lots which could accommodate about 100 new units. The site's open space and the character of the planned development would lend themselves to the creation of outdoor recreation areas serving residents' needs. The site is adjacent to three Boston neighborhoods of mixed racial, educational, and economic character and offers opportunities for fulfilling Boston's goals for hiring neighborhood people.

2. Crosstown Street/Dudley

Industrial development is already underway in the Crosstown Industrial Park. Digital Equipment Corporation located a new manufacturing plant within the City-owned park. In the near future, Healthco, a manufacturer of medical equipment and supplies, will move to a new facility in the industrial park.

However, numerous other sites are available for similar development. Construction of the new Crosstown Street provides convenient access from the site to the regional highway network. Nearby the Southwest Corridor is under construction. This new mass transit corridor will provide convenient access to the Park from seven neighborhoods within the City of Boston.

Dudley Square is a major commercial node in Boston's black community, and an area of high unemployment, particularly among young people. When the Southwest Corridor project is completed, the elevated railway which runs through Dudley Square will be demolished. Investment opportunities which then become more apparent will be guided by a program of incentives for new business.

The Digital and Healthco plants have set a pattern for future development in this area. Future private investors will not be reluctant to consider locations in the Crosstown Street/Dudley area but Federal program of incentives and subsidy will still be needed to enable new job generating enterprises to locate there.

3. North Station

In North Station, the City has proposed, and is now implementing, a large-scale, mixed use project. The Federal government has chosen a site in the area for a new G.S.A. office building containing one million square feet of space.

But realization of the North Station Plan, including the development of a new residential community and combined office/hotel/retail uses, depends in large part on locating a major sports arena in that area.

It has not been financially possible for the City to develop such a facility. Yet such a facility is clearly needed because Boston's two professional sports franchises (which generate considerable economic activity) are threatening to leave the City, and is needed too for the numerous gate shows which presently use the facility.

The North Station area has every locational advantage required for such a facility. It is located on a rapid transit line and lies at the major juncture of the regional highway network. Residential communities nearby, notably the North End and Charlestown, provide a ready pool of labor for enterprises that would be attracted to this area, once it is redeveloped.

Last but not least, public investment programs have already been identified and committed towards implementation of portions of this plan. Such public assistance could include the State's participation in financing the construction of the convention center. But it is clear that certain provisions, included in any Federal urban policy, would be needed to help the City translate this plan into a reality.

4. Lower Washington Street Area

In Boston's adult entertainment district on Lower Washington Street, a program already exists for creating a new neighborhood, one which would combine new residential opportunities for the nearby Chinese community with expanded commercial activity that is keyed to Boston's theatre district and the retail and office uses which border this area.

The Chinese community, with the assistance of Federal funds, is about to renovate a major building in this area for use as a manufacturing plant by Wang Laboratories. Private investment has been made in the extensive renovation of three major theaters. The demand for office space and residential uses in downtown Boston is such that it is easy to envision expansion of these uses into the Lower Washington Street area.

Consideration is being given to develop a major national television production center complex in the heart of the Lower Washington Street/Theatre District. This important focus of the development program would include production facilities and television studios, in addition to major office, housing and commercial uses.

The area has locational advantages in that it is literally the "hinge" between Boston's Back Bay and its downtown. Yet the potential of this area has never been realized because incentives are not available to supplant adult entertainment activity with higher and better (tax producing) uses. It is apparent that new investment of any magnitude will not take place in this area without various incentives and perhaps further public assistance.

Because it is on the border of the Chinese community and adjacent to the South End, the adult entertainment district is readily accessible to City neighborhoods which need more job opportunities.

C. Why Boston?

1. Recent Accomplishments to Provide Opportunity for Boston Residents

Boston is pioneering in public policy to guarantee that economic expansion benefits local residents.

In the Fall of 1979, Mayor Kevin H. White issued an Executive Order which stated that developers receiving public assistance must set aside 50 percent of construction employment for Boston residents.

In several cases, this policy has been expanded to include permanent jobs for Boston residents. The Employment and Economic Policy Administration (EEPA) works with employers to recruit, train, and hire Boston residents for such jobs.

The City has also imposed a residents' preference in negotiating payments-in-lieu-of-taxes with major institutions. For example, the New England Medical Center agreed to pay a "head" tax for each employee. The fee for each employee who resides in Boston is \$25, compared to \$140 for non-residents. Under the terms of an agreement with Boston University, scholarships are set aside each year for qualified Bostonians. The City's manpower training programs and its new \$30 million Occupational Resource Center for high school students have enhanced the City's ability to train residents for employment. Mayor Kevin H. White has stated a goal to place in a job every graduating high school student seeking employment.

Boston not only has the available labor pool, it also has the educational institutions carrying out research into future technologies in areas such as medicine and electronics. This is a City of new ideas and business applications; with the proper investment climate, many more new business ventures can be started.

2. Recent Accomplishments in Development

Boston has a proven and outstanding record in utilizing Federal and State programs for economic development. Twenty years ago, Boston was a city on decline; there had been no significant investment for a number of years. The blight afflicting downtown and neighborhoods was symptomatic of a city losing business and population. Between 1950 and 1975, Boston lost more than 50,000 manufacturing jobs.

In two decades since 1960, Boston has dramatically transformed its environment and rebuilt the public infrastructure. In so doing, it shored up its economy seriously eroded by the move of industry to the suburbs.

As a result of wise use of federal programs, the City encouraged the expansion of high-grade service activity. Office space in downtown has more than doubled since 1960; and service jobs have increased by 88,000 over the last 20 years.

This renaissance of the local economy has benefited most of the people who do not live in Boston. It is estimated that three out of four new jobs created in the City since 1960 have gone to suburbanites. In 1960, 38 percent of jobs in Boston were held by non-residents; by 1978 the figure had risen to 41 percent.

The effect of Boston's limited job capture rate for resident workers on revenue generated is compounded by inequities in the state and local tax structure. Though Boston, with ten percent of the state's population, accounts for nineteen percent of the jobs and twenty-one percent of the production of goods and services of the Commonwealth, the City receives only fifteen percent of state revenue sharing funds disbursed. In addition, the City's over-utilized property tax base must fund services provided to tax-exempt hospitals, where sixty-four percent of those admitted are not Boston residents, to tax-exempt institutions of higher education where ninety-nine percent of the students enrolled are not graduates of Boston's high schools, and to an influx of suburban commuters, workers and visitors, who double Boston's daytime population.

3. Boston as Center of a Growing Regional Economy

Boston is the center of a region that is experiencing an unprecedented level of growth. The unemployment rate for Massachusetts is the lowest among this nation's industrial states. The prosperity of the region is tied to the high technology industry.

Boston has benefited from the expansion of this industry. Within the past year, Digital Equipment Corporation opened a manufacturing facility in the City-owned Crosstown Industrial Park. Teradyne is expanding its facilities in the City. Wang Laboratories announced that it will open a manufacturing facility for 300 workers on lower Washington Street in a landmark commercial building undergoing renovation.

The City was able to encourage these moves with a package of incentives, tax agreements and other assistance. With infrastructure, an expanding public transportation system, proximity to Logan International Airport, and a sizeable labor pool, these companies are finding that Boston can provide a suitable environment for industry.

4. Job Skills in Boston--Present and Future

Boston has always been noted for its colleges, universities, technical schools and training institutions. The resources are available to train residents for available jobs and careers.

Moreover, the City's manpower training programs, combined with the \$30 million Occupational Resource Center for high school students have enhanced the City's ability to train residents.

It is this facility, along with the school system's revamped vocational training program, which has led Mayor Kevin H. White to state that high school graduates seeking employment will be placed in jobs.

D. Refining the Enterprise Zone Concept

Boston's response to the "Enterprise Zone" concept, as embodied in this proposal, is evidence of the City's enthusiasm for this program and its ready willingness to participate in its implementation as soon as possible.

However, there are aspects to the proposed "Enterprise Zone" which must be refined and modified to a degree if it is to meet its objective. It is in this spirit of constructive criticism that Boston suggests certain amendments to the proposed legislation. It is our hope that these recommendations constitute the start of a dialogue that will improve the efficiency and effectiveness of the Enterprise Zone program.

1. The current definition of an Enterprise Zone may not work to the advantage of Boston, or many other cities in the nation with complex issues and problems. The proposed legislation defines an Enterprise Zone as an area with a high concentration of unemployed and/or low-income residents. However, areas ideal for business location are not always in areas of high unemployment. For instance, areas ideal for development by electronics and manufacturing firms are not necessarily in Boston's residential neighborhoods. The Enterprise Zone concept must be made more flexible. The designation of blighted areas for business investment and residential pockets of high unemployment should be separate. The City should target the jobs which result from development in business areas to unemployed and low-income residents of distressed neighborhoods. Such a process is particularly applicable to Boston because the City's land mass is compact and an existing public transit system facilitates access to and from various neighborhoods within the City.
2. There is a legal question whether Boston, or any other municipality in Boston, can in fact offer the 20 percent local property tax reduction for businesses and residents within an Enterprise Zone. Reduction of property taxes for certain areas of the City may require approval of the Massachusetts Legislature.

At the same time, this provision of the law may not be necessary because Boston, through 121A tax agreements and/or negotiated tax agreements with individual developers, already has in place a mechanism for providing a tax incentive to some developers.

3. The proposed Enterprise Zone legislation relies in great part on the use of tax benefits as an incentive to stimulate private sector development in City neighborhoods. That is a commendable concept. But firms planning to locate in distressed neighborhoods face additional costs, such as land assembly, infrastructure improvements, and the expense of job training. Often the greatest barrier to expansion, particularly for small firms, is accumulating capital for start-up or expansion costs. To attract new businesses and encourage expansion of business to the Enterprise Zone, there is a need to modify existing programs to assist firms in bearing these costs.

Enterprise Zones, in short, must be combined with other programs of economic development, including UDAG, EDA loan programs, interest subsidies, an increase in the amount of industrial revenue bonds a company is allowed to use, CETA skill training programs, and direct subsidies to firms for job training.

Existing categorical grant programs should be given priority for development occurring within Enterprise Zones.

4. The accelerated depreciation allowance and loss carry-over for firms locating in Enterprise Zones must be increased. The legislation, as written, may prove helpful to new jobs created by the birth of or expansion of small businesses. Increasing those two provisions in the Enterprise Zone legislation would allow for greater flexibility and the larger business operations could take advantage of the Enterprise Zone program.
5. The intent of the proposed Urban Enterprise Zone legislation is to provide jobs to the nation's unemployed and economically disadvantaged population. Unfortunately, given the structure of the current bill's incentives, the unemployed and economically disadvantaged may not share in the benefits which result from this induced economic development. Under this bill, firms which locate in an Enterprise Zone receive some benefits merely by locating in the zone, and additional benefits for hiring 50% of their work force from that zone. It is these additional benefits which the bill's sponsors expect will encourage firms to hire the unemployed or economically disadvantaged. However, a close examination of the projected costs of this legislation to the Federal government reveals that over 85% of the costs result from the benefits businesses receive merely by locating in an Enterprise Zone, while only 14% of the total cost result from firms utilizing these additional incentives. This suggests either that only a small number of firms will take advantage of these additional incentives or that the additional benefits only amount to a small marginal savings for firms. Thus, businesses have relatively little to gain by hiring unemployed or economically disadvantaged workers, and while the Enterprise Zone legislation may lead to some business reinvestment in distressed neighborhoods, under its current structure it is likely to result in employment for workers who would have been employed anyway, rather than increased employment for the unemployed and disadvantaged.

This problem becomes even more pronounced after comparing the characteristics of the unemployed and underemployed population with the types of jobs likely to result from new economic growth. Over 25% of all people currently entering a CETA training program have a native language other than English. Furthermore, 90% of all CETA participants read at below the eighth grade level, and about 70% lack this degree of math skills. This lack of skills precludes many of these people from being considered by employers, particularly considering that many employers in Boston's growing service and manufacturing sectors often expect employees to have specific

technical skills in addition to a solid educational background. The additional costs a company incurs to train these unskilled workers for available jobs may more than offset the tax benefits that the company receives from hiring these residents.

Therefore, the proposed Enterprise Zone legislation should include a provision for job training. This provision could take the form of an amendment to the current bill allowing companies to write off some portion, if not all, of the costs of training unemployed or economically disadvantaged workers. Or the legislation could provide direct subsidy to companies to offset these increased training costs. The City would then recruit and refer unemployed and economically disadvantaged residents to individual companies and would provide technical assistance to companies on structuring individual training programs, functions which the City's Employment and Economic Policy Administration (EEPA) currently performs through its training programs and on-the-job training slots at individual firms. Without specific provisions for job training, the intended beneficiaries of the Enterprise Zone, the unemployed and economically disadvantaged, may be ignored.

In sum, the incentives which could be provided in the Enterprise Zones will be successful only if all of the ingredients for success are there. In Boston, these are:

- o a labor pool
- o a good transportation network
- o job training facilities and programs
- o a capacity of local government to work successfully with private enterprise
- o a commitment to ongoing Federal programs to assist in basic public infrastructure implementing which cannot be borne by the private sector.

II. BOSTON ENTERPRISE AT BOSTON STATE HOSPITAL

II. BOSTON STATE HOSPITAL

A. Introduction

One of the last and best opportunities in the City of Boston for planned industrial development, the 200-acre site of the former Boston State Mental Hospital, is soon to be declared surplus by the Commonwealth of Massachusetts. Bridging several Boston neighborhoods of mixed racial, educational and economic character, the site possesses a location, size, and campus like setting of unique consequence and relevance to Boston's economic development goals.

Set in the heart of one of the City's most economically depressed areas, this proposed project is aimed squarely at the problem of neighborhood unemployment. The Hospital property per se is conceived as the focus of intense new job creating economic activity. While the incentive offered through Enterprise Zone designation will be important in helping spread the "ripple" effect of this activity to neighboring business, commercial and residential sectors, their application within this central "core" will determine the success or failure of this effort.

B. Description

Unparalleled elsewhere in the City, the 200 acres comprising the Hospital grounds is spacious and attractive enough to compete with increasingly scarce suburban locations in attracting industrial expansions. Characterized by wide, grassy lawns and gentle slopes, it is also by far the largest contiguous parcel available for industrial development.

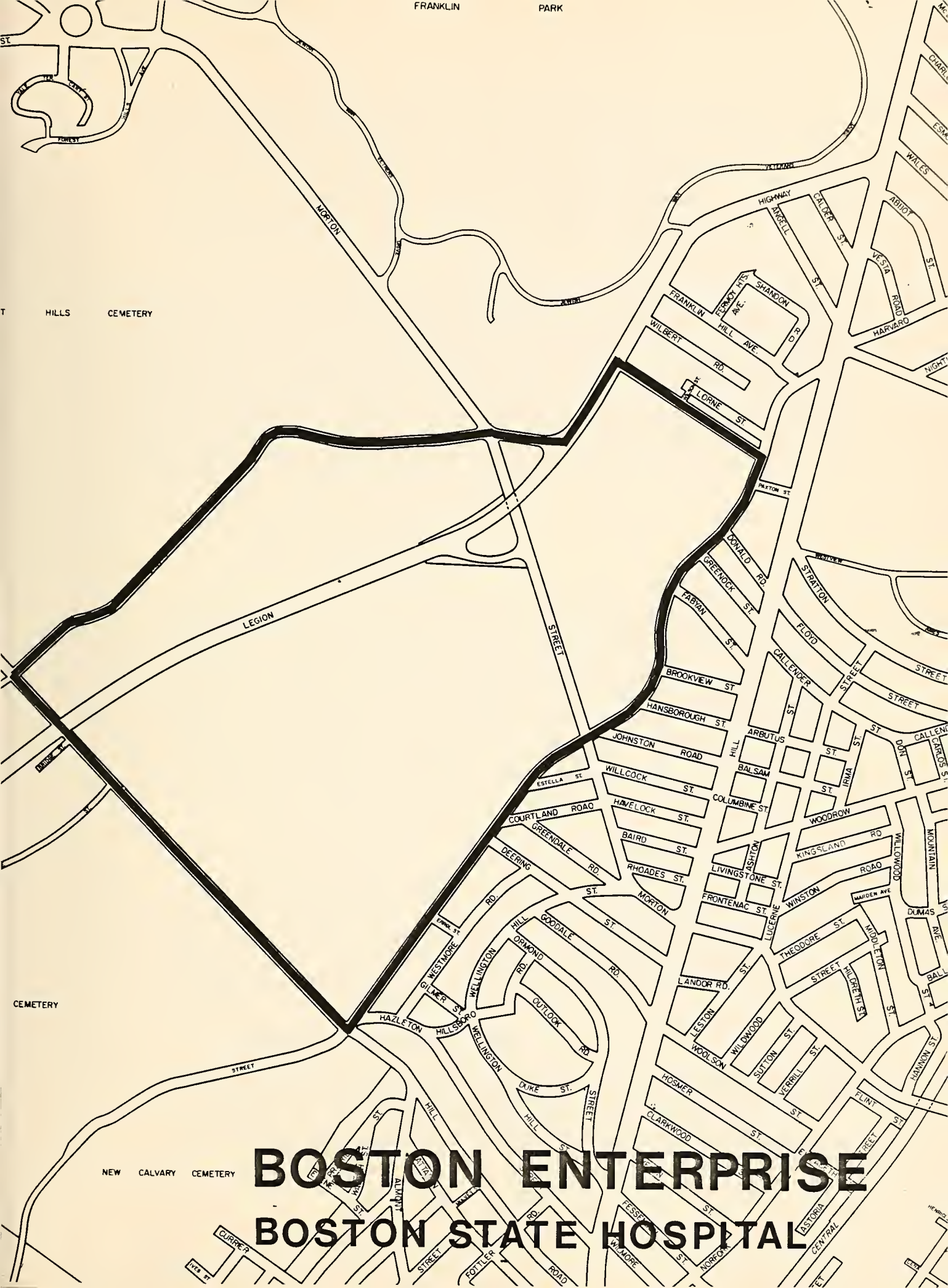
The surrounding neighborhoods possess one major resource which is vital for the attraction of industry: an underutilized labor force. Given the tremendous current demand from Massachusetts' industry for trained or trainable labor, this factor gains the potential to outweigh other existing conditions. For the primary impact areas of Wellington Hill (Mattapan) and Franklin Field, these include:

- o 22% unemployment (1977)
- o 11% loss of housing units in past ten years due to abandonment/demolition
- o Median income 2/3 that of the whole City
- o Up to 85% minority population
- o Severely depressed commercial activity along Blue Hill Avenue

In these neighborhoods, as well as in areas of lesser impact (Roslindale, Dorchester, remaining sections of Mattapan), the incentives of an Enterprise Zone for targeted hiring of local residents take on prime significance.

C. Goals and Opportunities

Development of this site for industrial use would nearly double the amount of industrial land currently available throughout the City. Such an addition, in the heart of an urban setting which is characterized by crowded and fragmented industrial areas, presents a one-of-a-kind opportunity to build the spacious type of facility most favored by industry.



BOSTON ENTERPRISE

BOSTON STATE HOSPITAL

NEW CALVARY CEMETERY

The benefits anticipated from industrial development are significant. Among the highly diverse neighborhoods impacted are some with up to 22% unemployment, 85% minority population, and high percentages of the young and blue-collar-oriented workforce. Up to 6,000 new jobs could be created, at varying skill levels, representing a more than 10% increase in manufacturing employment in Boston. This tremendous gain, accruing to residents of broad racial and economic backgrounds, would strongly promote neighborhood interaction.

Enterprise Zone designation would also be an important stimulus to commercial and residential activity in the surrounding neighborhoods. This would complement a 10-year, \$100 million public investment with which the City has stabilized and begun to revitalize these areas against great odds. The Enterprise Zone would serve as a key economic link between the revitalized commercial district of Mattapan Square and the Crosstown Industrial Park. The proposed project could also generate millions of dollars of revenue from currently tax-exempt land; this is of special significance for Boston, which is squeezed between a near total dependence on property taxes and an unusually high proportion of tax-exempt institutional and public land.

D. Development Opportunities

1. Large Growth Industries

The first step in developing the project is to identify industries appropriate to the neighborhoods. The high technology industries are most apparent because they are the fastest growing segment of the New England economy, at a rate of 10-20% per year. This industry accounts for 40% of Massachusetts' manufacturing employment. Its 38 million square feet of manufacturing space rank the Boston area ahead of Silicon Valley. Because of its rapid growth, labor intensiveness, and high level of capital investment, it will be a prime marketing target of this development. It is important that the Enterprise Zone concept be more broadly defined, so as to make its benefits available to these larger firms.

2. Incubator Space for Small & Minority-Owned Firms

Massachusetts has historically been a prime source of innovation, product development, and new production processes, and is highly dependent on research and entrepreneurial ventures for growth. With California, it leads the nation in the creation of new firms and the retention of new branches of expanding firms. Most of the incentives proposed for the Enterprise Zone are specifically targeted to this type of business.

3. Expanded Job Opportunities

The roughly 6,000 new jobs made available through industrial--and especially high technology--development would include scientists, engineers, technicians, programmers, drafters, assemblers, and other production operatives. These occupations are accessible

through skill training, vocational education, and community college programs, as well as advanced university education; some require only high school equivalency and progressive on-the-job training. This range of employment matches well with the neighborhood population, allowing residents to succeed in capturing a higher percentage of employment in this type of industry. Coupled with a strong City policy on resident hiring, the targeted hiring incentives of the Enterprise Zone concept would ensure that a substantial number of the new jobs created go to local residents.

4. New Educational Facilities

Boston-based community college and educational institutions account for 30% of the students enrolled in high technology training programs in the metropolitan area. However, with employment growing at rates approaching 30% in high-demand job categories, the adaptation of certain existing structures on the site for use as a job training center and/or extension of a major technical university would be a prime goal of this project. Because its large, trainable work force compares favorably in educational level to that of the surrounding region, Boston and its residents would benefit equally with industry from the creation of such facilities.

5. Housing Development

A recent HUD-funded study--prepared by OKM Associates of Boston--assessed City of Boston revitalization efforts and their impact on the displacement of neighborhood residents. Targeted creation of new blue-collar job opportunities emerged as a major strategy for combatting such displacement; development of the Boston State Hospital site was identified as a "rare opportunity" in this regard. A major focus of the proposed industrial development is the creation of appropriate, career-potential jobs for neighborhood residents, with a resulting increase in levels of income and economic self-sufficiency. Residents should thus be able to compete successfully for housing resources, if and when revitalization helps to increase prices and demand.

While it seems prudent to first direct derived housing stimulus to the rehabilitation of existing homes and nearby housing projects, the area has several hundred open lots which could absorb excess demand through new construction. In addition, the development site could accommodate approximately 20 acres of new housing. This would yield about 1,000 new units if patterned after the attractive and successful Lower Roxbury and Mission Park subsidized developments in Boston.

6. Community and Recreation Facilities

The site's openness and the character of the planned development would lend themselves to the integration of outdoor recreational areas. A recreational facility, adapted from an existing building and supported by the industries, could serve the industries by day and the community by night. Such a facility might offer indoor squash and tennis courts, and perhaps a pool.

Also encompassed within the proposed plan would be consolidation into a more permanent facility, or assistance with relocation, for the 2 or 3 community-based mental health out-patient programs currently using buildings on the site.

E. Applying the Enterprise Zone Concept

The Boston State Hospital is unique and informative in several aspects as it relates to the Enterprise Zone concept and legislation. It would exist within a framework of complementary incentives already developed by the Commonwealth and the City of Boston. Industrial Revenue Bonds and in-lieu-of tax agreements, issued through City agencies, can substantially reduce costs of private development. Existing State programs allow deductions for new investment in depreciable assets, 25% of payroll within development areas, and property tax liability exceeding the State average; any industrial development within Boston is eligible for these incentives.

An important factor in implementing an Enterprise Zone would be the ability of local government to produce a reduction in the local property tax. The public ownership contemplated (through EDIC/Boston) for the Boston State Hospital property would allow great flexibility in this regard. A combination lease/in-lieu-of tax payment avoids the legal issue implicit in differential tax rates. Equity is further served in this case, since any amount of revenue derived from this currently tax-exempt land would result in a lesser, not greater, burden for other taxpayers. Most importantly, this already existing mechanism would allow a magnification of the incentives of the Enterprise Zone to encompass the strongly-held employment goals of the City administration. "Property taxes" could be abated as proposed in the federal legislation, but as a further incentive to job creation this reduction in payments might be tied to any of the following:

- o Percentage employment of City/neighborhood residents.
- o Achievement of pre-determined levels of employment or percentage rates of growth.
- o Percentage of employees achieving higher pay brackets.
- o Partial reimbursement for the expense of training City/neighborhood residents subsequently hired or retained.

This type of incentive, in the spirit of the Enterprise Zone, is non-coercive and non-regulatory. Yet, it allows important public policy goals to be targeted and actively encouraged.

Two other factors would bear close watching through a Boston State Hospital Enterprise Zone. The first relates to the impact of the differential reduction in Social Security payments for workers under 21. With a large population of (unemployed) youth, this area would certainly experience any effect generated by this incentive. With over 70% of minimum wage jobs currently held by adults, negative factors to watch would be adult displacement and high turnover as workers reached age 21. Additionally, with a severely depressed local housing market, an important ramification which might develop is an increase in speculation and displacement due to the residential use of the capital gains provisions.

A Boston State Hospital Enterprise Zone would also:

- o Demonstrate to industry that there do exist opportunities and a favorable climate in the City to build the spacious low-rise facilities now in vogue--without the delays of a difficult land assembly process--at a time when prime suburban properties are becoming increasingly scarce and costly.
- o Link together on-going revitalization efforts in one of the City's most economically depressed areas, ranging from Mattapan Square to Crosstown Street/Dudley.
- o Force an examination of means by which the Enterprise Zone could benefit large new employers, as well as the small entrepreneurs at which it is currently aimed.

F. Summary of Project Characteristics

As presently conceived, the proposed Boston State Hospital development encompasses the following:

- o Out of a 200-acre total, a minimum of 150 acres dedicated to industrial use.
- o Creation of between 2 and 2.5 million square feet of industrial space through a combination of new construction and rehabilitation of existing buildings.
- o Approximately 20 acres of potential residential development, of mixed income character, comprising about 1000 units.
- o Additional land (30 acres) devoted to community, recreational, and continued institutional use.
- o Approximately 6,300 new, career-potential permanent jobs, combined with a major training initiative to ensure job capture by neighborhood residents.
- o 3700 construction jobs.
- o Renovation of existing buildings for use as educational and/or job training facilities.
- o Private investment of \$75-\$95 million for construction/renovation of industrial facilities and infrastructure improvements.
- o Public investment in planning, technical assistance, land acquisition, and creation of job training programs.

G. Project Costs

In entering an era of diminished public sector resources, it becomes increasingly important to creatively link public policy goals with independently viable private projects. For the development of the Boston State

Hospital, this has several implications. Subsidization of infrastructure improvement has become an accepted mode of encouraging inner-city revitalization. Estimated at between \$6 and \$9 million for this project, these costs might at first seem (and may ultimately prove to be) an impediment to private sector participation. Considered in the context of projected industrial construction approaching \$100 million, the following factors emerge:

- o The site presents no costly or time-consuming problem of land assembly, and comparatively minor amounts of demolition and site preparation.
- o Developers of comparable suburban parcels commonly assume all infrastructure costs, often starting with raw land.
- o Public (EDIC/Boston) ownership of the land--with a developer lease--is planned as a means of retaining flexibility in pursuing public policy goals. This also constitutes a conservation of developer capital of as yet undetermined proportions.
- o Due primarily to its location, the site possess an extremely market-able asset--access to labor. Given the overriding public policy concern with targeted job creation, furtherance of this natural linkage ought to draw the greatest concentration of public resources.

Thus, while an injection of grant funds may be needed to stimulate physical development, their application to job training and resource marketing might well prove a more cost-effective and humanly-productive means of attaining the same goal.

Another means of supporting the marketing viability of the project is through the issues of cost and availability of capital for new or expanding firms. Even with reduced expenses for taxes and labor available under the Enterprise Zone legislation, small firms face a crucial hurdle in attracting start-up capital. While the proposed reduction in capital gains levies is a proven method of increasing venture capital availability, publicly supported loan guarantees and revolving loan funds are a valuable and relatively low-cost supplemental resource. Also not to be overlooked, especially in Massachusetts, is the sizeable component of larger firms which are expanding rapidly. Often using debt rather than equity financing, these firms will experience no investment or corporate tax benefits under the proposed Enterprise Zone incentives. Industrial Revenue Bonds represent an existing policy response, yet are subject to legislative limits. Clearly, what is needed is an initiative which benefits any firm meeting public policy objectives; this need not be a "windfall", but instead a clear cut marketing decision which obtains maximum impact from scarce public resources.

H. Conclusions

Creation of a Boston State Enterprise Zone would supplement, rather than replace, existing development incentives. With its primary emphasis on guided private investment, it would represent an important new

direction in the drive to maximize the impact of public sector resources. The development of this unified site would enable an easily quantifiable observation of the effects of Enterprise Zone designation. The presence of rehabilitation buildings and a large amount of open land provide opportunities for both small entrepreneurs and major new employers. Of special importance are the ability of the City to rapidly implement its incentive program and the presence of a labor market of the type envisioned in the Enterprise Zone concept.

III. BOSTON ENTERPRISE AT CROSSTOWN STREET/DUDLEY

III. CROSSTOWN STREET/DUDLEY

A. Introduction

The proposed Crosstown Street/Dudley Station Enterprise Zone presents a unique opportunity for use of the Urban Jobs and Enterprise Zone concept. The area contains a population of predominantly minority, welfare dependent persons and is located at a public transit and highway node which makes it easily accessible to residents of Boston's high unemployment neighborhoods. With completion of major transportation improvements such as the new Crosstown Arterial Street, new Dudley Street, new Tremont Street and relocated Orange Line with a major terminal at Ruggles Street, unique opportunities exist for new economic development. A wide variety of both publically and privately-owned sites ripe for commercial or industrial development exist within the proposed Enterprise Zone. Recent interest by Digital, Healthco, and Control Data are the beginning of renewed private market interest in this area.

Within the Enterprise Zone, vacant land and commercial buildings exist which could house over 600,000 square feet of industrial and 575,000 square feet of commercial space. Given adequate incentives for development, this could lead to some 2,400 permanent jobs and generate over \$88.4 million in private investment.

The recently completed Humphrey Resource Center with a capacity for 1,200 vocational students provides an important opportunity for job training of residents within the Enterprise Zone. The Opportunity Industrialization Corporation (OIC) located in Dudley Square is another resource for industrial training located within the area.

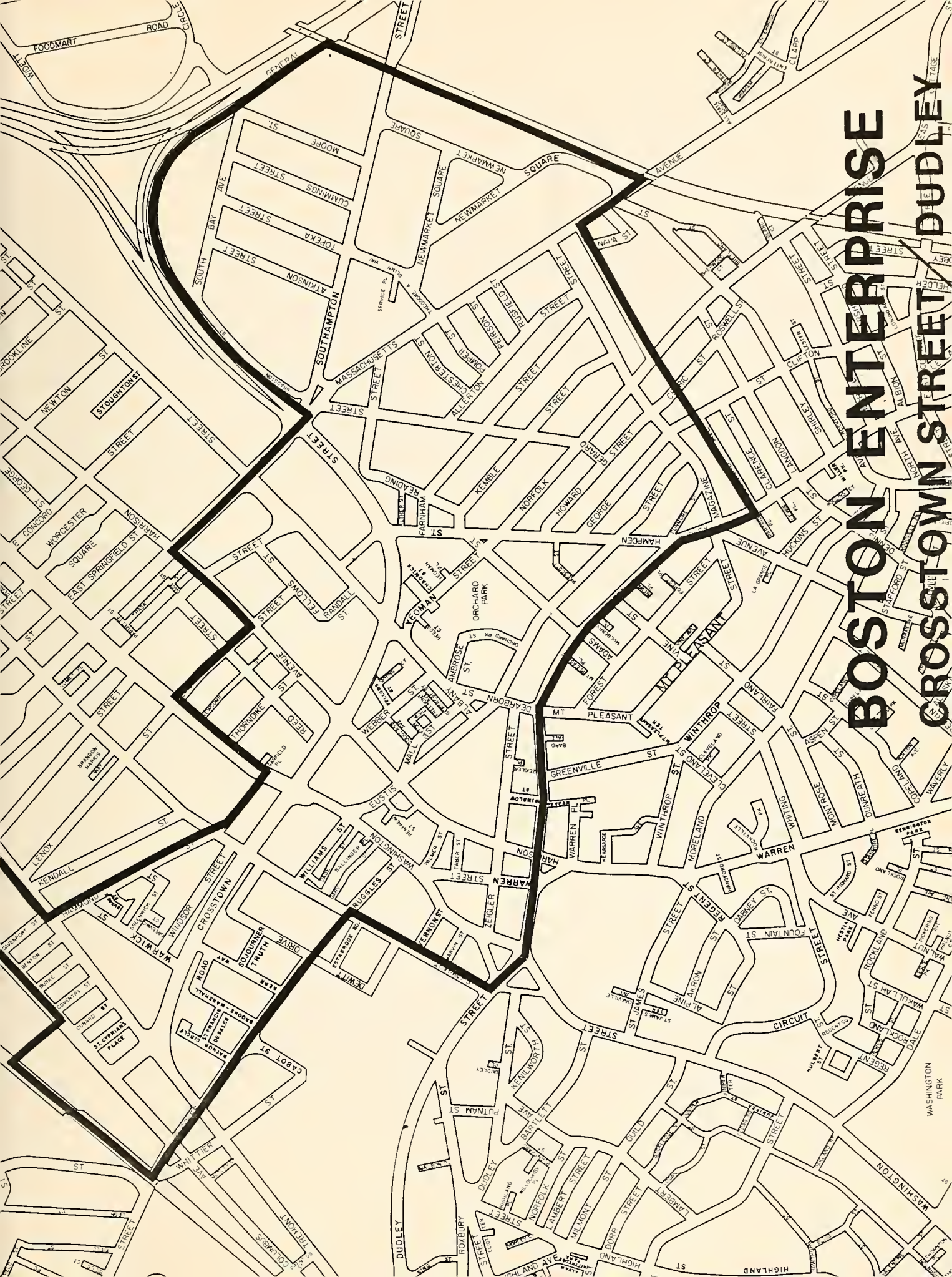
B. Description

The proposed Crosstown Street/Dudley Enterprise Zone is bounded by the relocated Orange Line on the west, the Midlands Railroad on the east, Massachusetts Avenue and the Southeast Expressway on the north, and Dudley and Ruggles Streets on the south. This area consists of approximately 420 acres, of which almost 350 gross acres (including streets) are zoned for manufacturing and industrial uses.

The Crosstown Street/Dudley area is attractive to labor intensive industrial and commercial businesses which require a large, unskilled labor force which is not available in suburban areas. Job training facilities at ORC and OIC are another attraction to firms considering investment in the Crosstown Street/Dudley area.

The northeastern and western sections of the proposed Enterprise Zone are primarily industrial. Housing is located toward the south along Dudley Street and in the northwest along Tremont Street and Shawmut Avenue. Retail uses are located along Washington Street primarily within Dudley Station.

The newly completed Crosstown Arterial Street runs east-west through the area connecting it directly with the Southeast Expressway only two miles from the eastern terminus of the Massachusetts Turnpike. The



BOSTON ENTERPRISE

CROSTOWN STREET DUDLEY

elevated Orange Line on Washington Street is scheduled to be replaced in 1985 by the new Orange Line along the western boundary of the Enterprise Zone. A new Dudley Street and a new Tremont Street are also scheduled to be constructed along the southwestern edges of the Enterprise Zone. These transportation improvements will provide direct truck, auto and transit service to the area proposed for Enterprise Zone designation.

In 1970, the population was predominantly black (75%) with significant Hispanic (10%) and white (10%) populations. Median income was approximately \$4,800, about half the City-wide median income of \$9,100. Approximately 18% of the labor force is currently unemployed, and a significant portion of the population is welfare dependent. The Orchard Park, Lennox Street and Camden Street low income public housing developments are located within the proposed Enterprise Zone.

C. Goals & Opportunities

Designation of a Crosstown Street/Dudley Enterprise Zone would be especially appropriate and desirable. As a result of long-term efforts by the City, major improvements to transportation and other infrastructure components are either complete or in final stages of planning and implementation.

New, large scale employers have been attracted, using public subsidies and have established a nucleus of invigorated economic activity. Building on this existing momentum, the incentives created in an Enterprise Zone would strongly encourage the use of private resources to continue this revitalization and renewal process.

Projected impacts of Enterprise Zone designation would include:

- o Creation of some 2,400 new permanent jobs on currently vacant parcels, through a combination of tax incentives, completion of planned transportation improvements and continued marketing of publicly owned and subsidized parcels.
- o An increased supply of local skilled labor for future employers, with maximum access to jobs generated for unemployed local residents through the establishment of job training programs for the new firms at the Humphrey Occupational Resource Center.
- o Stimulus to area retail and housing markets by generation of additional local payroll income of \$45-50 million annually.
- o Retention of existing firms through a reduction in operating costs and facilitation of capital re-investment. Due to marginally higher factor costs and the inherent expense of modernizing older facilities, existing employers have continued to leave this area while new ones move in.
- o Generation of \$2-2.5 million of additional property tax revenue from currently non-tax producing properties.

D. Development Opportunities

There are numerous opportunities for new economic development and job generation within the proposed Crosstown Street/Dudley Enterprise Zone. These include a variety of both large and small industrial sites suitable for both new major high technology employers and smaller incubator industries, as well as special programs which would support any such development. Examples include:

o Humphrey Occupational Resource Center

The recently completed Hubert Humphrey Occupational Resource Center, located on New Dudley Street in the southwestern portion of the proposed Enterprise Zone, is a City-wide public vocational education facility established to train persons for employment in growing sectors of Boston's economy. This facility is ideally suited to train local unemployed persons in the skills required by businesses expanding or locating in the Crosstown Street/Dudley area. This could provide highly trained labor for new or expanding businesses while ensuring that Boston's unemployed would benefit from employment opportunities created in the area.

o New Market Area

This privately-owned area contains several vacant industrial parcels including the 85,000 square foot Nepco building, 42,000 square foot Fulton Packaging parcel, 58,000 square foot Steak House parcel, 65,000 square foot Boston Street parcel, 137,000 square foot Willow Court parcel and 25,000 square foot Old Mr. Boston building.

o Crosstown Industrial Park

This City-sponsored development, which spans the newly built Crosstown Arterial Street, has to date attracted two major new employers. These are the Digital Equipment Corporation, which recently completed a 62,000 square foot facility for 300 employees on land acquired and leased by the City, and Healthco, Inc. Healthco, a manufacturer of medical instruments, will construct a 166,000 square foot facility with the aid of public subsidies for site acquisition and preparation and building construction. Other parcels remaining to complete this development are being actively marketed; however, a substantial positive effect has already been achieved on the vitality and character of this area.

o Retail Rehabilitation

There is a market demand for approximately 80,000 square feet of additional retail space within the Dudley Station business area, which could be housed in a combination of new and renovated first floor space. The Dudley Station area is within a Commercial Area Revitalization District which makes retail development within this area eligible for revenue bond financing through the Massachusetts Industrial Finance Agency. In addition, land exists for an additional 30,000 square feet of retail space on Massachusetts Avenue.

E. Applying the Enterprise Zone Concept

The Urban Jobs and Enterprise Zone Act proposes to offer federal tax incentives in designated zones to encourage private job-generating investment in areas with widespread unemployment. The Crosstown Street/Dudley area is a good place to test this concept since: (1) it contains numerous opportunities for industrial and commercial development; (2) major transportation improvements are under construction; (3) it is conveniently located to areas of Boston's highest unemployment; and (4) the area has already attracted private market interest.

Residents of the neighborhoods that abut the Enterprise Zone are predominantly minority (85%) with a high unemployment rate (18%). The Crosstown Street/Dudley area is located in the geographical center of Boston's low income population with excellent public transportation and automobile connections to these areas. In addition, the City's new \$30 million Humphrey Occupational Resource Center is located within the Crosstown Street/Dudley area offering unique opportunities for job training for firms relocating in the proposed Enterprise Zone.

Numerous vacant parcels and buildings exist within the proposed Enterprise Zone for industrial and commercial investment. This variety of sites offers opportunities for both new high technology industries which are Boston's fastest growing employers and smaller starting firms. These sites could accommodate nearly 2,400 permanent blue collar jobs which match closely the skill levels of the abutting neighborhoods. With the Crosstown Street nearing completion, and the new Orange Transit Line under construction, major public investments required to provide area access will be nearing completion.

F. Development Costs

1. Infrastructure Improvements

The Crosstown Street is nearing completion using federal and state Urban Systems funding. The \$750 million new Orange Transit Line is under construction using UMTA and state funding, with construction completion scheduled for late 1985. Tremont Street and Columbus Avenue will be reconstructed as part of the Orange Line project. The final portion of reconstructed New Dudley Street is being designed with construction anticipated in 1982 using federal/state Urban Systems funding.

With completion of the Crosstown Street during the winter of 1981, and other major transportation improvements already under construction or under design, few additional public improvements will be required in the Crosstown Street/Dudley area. Some local street and utility improvements will be needed, especially in the New Market area. It is anticipated that these public improvements would cost between \$3 and \$5 million.

2. Technical Assistance

Public funding for advertising and marketing of opportunities within the proposed Enterprise Zone would be necessary. Once identified, larger industrial or business developers may require further public assistance in site assembly, site improvements or financing subsidies in order to produce a financially viable project.

Considerable effort will also be required to identify skill needs of potential businesses and develop job training programs required to prepare locally unemployed persons for the projected positions.

It is estimated that the total cost of these activities would be approximately \$1.5 million over the next five years. They could be funded through a combination of local, state and federal sources.

3. Project Financial Assistance

In order to be financially feasible, some of the proposed development projects may require further financial assistance. This could take the form of land assembly subsidies, site improvements, interest reduction loans and/or revenue bond financing. It is currently anticipated that either UDAG or EDA grants would be required as direct development subsidies to the proposed industrial, commercial and retail uses. In addition, approximately \$25 to \$30 million of Industrial Revenue Bond (IRB) financing would also be required, depending on the cost of private financing.

G. Conclusions

The Crosstown Street/Dudley Enterprise Zone presents a unique opportunity to create over \$88.4 million of private industrial, commercial, retail and housing investment within an area of high unemployment. This would generate approximately 2,135 man years of construction employment and 2,365 permanent jobs.

In addition to tax incentives generated by an Enterprise Zone designation, it is estimated that approximately \$9.5 million of additional public development subsidies, approximately \$25-30 million of IRB financing and \$3-5 million of local street and utility improvements would be required by the proposed project.

IV. BOSTON ENTERPRISE AT NORTH STATION

IV. BOSTON ENTERPRISE AT NORTH STATION

A. Introduction

The North Station area in downtown Boston is in a state of disinvestment and is the last predominantly vacant section of the downtown. The City, in partnership with the Federal government, has an opportunity to foster redevelopment in a manner which will benefit the City as well as the Metropolitan area.

The General Services Administration is interested in building a new office building and realizes the unique locational advantages of the district adjacent to Government Center with good transit and highway connections to the region.

The City has established North Station as a priority project and, by its actions, has indicated its support for the area's rejuvenation. In less than one year an urban renewal plan has been prepared and approved. The City has voted in excess of \$6 million for undertaking various renewal activities, and the planning of large scale development projects, a Federal office building, a new arena, and a relocated elevated transit structure have been undertaken.

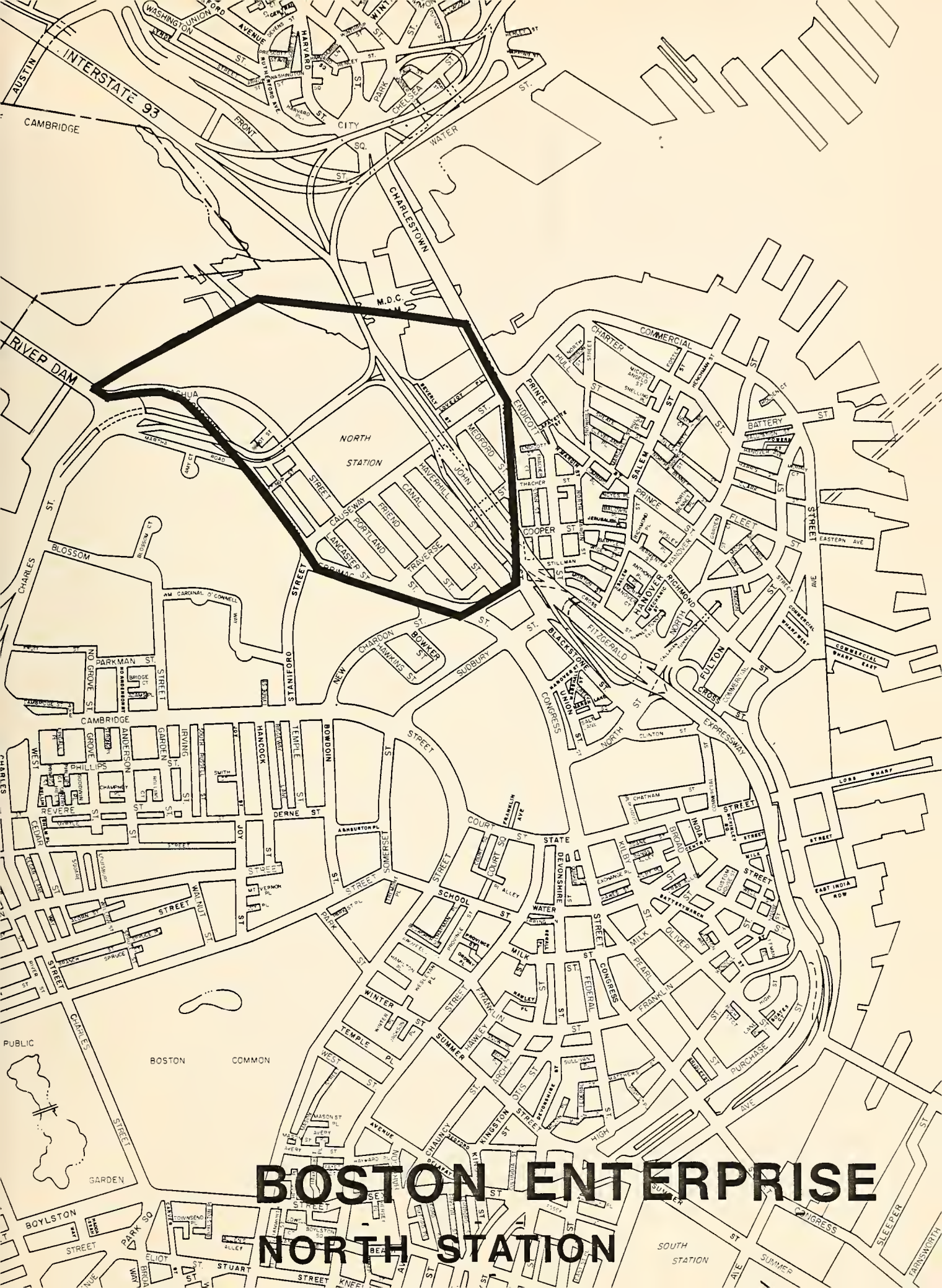
Private investment in a new arena, office and residential uses will accompany this public investment. These projects will re-establish the regional importance of North Station as the terminus of tourist and commercial activity.

The proposed Enterprise Zone legislation offers an opportunity to achieve this development program. Large scale projects of special significance to New England could attract the needed private capital. Infrastructure improvements which are now in planning could receive the necessary Federal priority so that the funds reserved for these projects could be allocated on a fast track basis. Significant additional private investment could be made in manufacturing, office, retail and housing as a direct spin-off of the preceding activities.

B. Description

The North Station area is located at the northern interchange of metropolitan Boston's transportation network and serves as a gateway to downtown Boston. Commuter rail lines owned by the MBTA and operated by the Boston and Maine Railroad serve the north, northeast, and northwest suburbs; and the MBTA's Orange Line provides service to the north and south. The MBTA Green Line provides service to the west. Highway access from the Central Artery provides direct connections to the interstate highways to the north, south or west.

The North Station area encompasses approximately 80 acres and a complex mix of land uses. Transportation related and mixed commercial occupancies define the predominant land use in the North Station Area. Overall, excluding the Massachusetts Rehabilitation Hospital, Hotel Madison, and North Station, there are some 3.4 million square feet of space, 37% of which is devoted to office use, 28% to manufacturing, 25% to mixed commercial, 2% residential, and 8% vacant. In addition, there is 728,850 square feet of vacant land, most of which is utilized for parking 2,670 cars in 28 parking lots.



BOSTON ENTERPRISE

NORTH STATION

The decline of the railroads in the 1950's and the construction of automobile-related transportation systems have had a devastating effect on the economic viability of the North Station area. As a direct result of the decline of the railroads, the Madison Hotel is now vacant, the Railway Express Agency is out of business and their freight forwarding facilities demolished, half the tracks at North Station have been removed, all of the remaining tracks have been pushed back from the North Station building to the expressway and the large vacant areas created by all this demolition have been sold off. With the exception of the Massachusetts Rehabilitation Hospital building, nothing new has been built on any of this land and all of the remaining property is presently used for public and private parking lots.

The blighting effects of the elevated MBTA Green Line on Causeway Street and the Central Artery, which bisect the area, together with continual traffic congestion resulting from a narrow confined and disrupted street pattern have effectively inhibited new development and rehabilitation in the North Station area.

The commercial image of the North Station area is derived from the furniture and entertainment uses which predominate within the Bulfinch Triangle area. Located along the major north/south streets (Canal, Friend, Portland and North Washington) are a larger number of retail/wholesale household, office, furniture and furnishings, electrical and antique firms and re-upholstering and furniture repair services. These businesses are located in pre-1900 buildings of brick bearing-wall and timber beam construction averaging five floors in height with a few steel frame and reinforced concrete structures of greater height. In similar and adjacent structures, and mostly concentrated along Causeway Street are a number of public assembly uses such as take-out restaurants, taverns, and x-rated theatres. In general, the buildings in the Bulfinch Triangle are in fair condition with a significant vacancy rate.

The completion of large-scale developments surrounding North Station in the last two decades, including Government Center, Quincy Market and Charles River Park, appears to have had little positive influence on this area. A 1977 survey of over 900 businesses in the North Station district documents the steady decline of a broad range of commercial and manufacturing uses in the area over a 20-year period. Other evidence of the area's downward shift include the demolition of additional buildings and an increase in the number of deteriorated properties.

C. Goals and Objectives

1. Stimulate private investment which will provide economic and employment benefits needed by the City, Metropolitan area and New England Region.

Boston, as the hub of the New England region has the potential to develop facilities which will expand the regional economy. It is a well known fact that such growth has a ripple effect in terms of employment and induced economic growth. Given the central location of the North Station, it is certain that such investment will leverage new business, expansion of existing firms and increased employment

of Boston's citizens. Boston's unemployed and under-employed require career ladder opportunities with long-term potential. Skilled and unskilled jobs created at North Station would be directly accessible via the MBTA to Boston's low-income neighborhoods.

2. Generate incentives so that small businesses in the area will have adequate working capital to expand and new enterprises will be induced to locate in this area.

The Bulfinch Triangle has historically been the location of businesses of regional importance: the furniture, bedding and electrical supply district. These uses have declined in recent years. Incentives must be provided to attract new ventures and permit the expansion of existing firms.

D. Development Opportunities

1. Major Development Projects.

Within the North Station area, there are opportunities for three projects of regional significance.

The proposed new Federal office building will be the first part of this development program.

A new arena would enable Boston to increase the market for sports and gate show events. Boston would be able to attract businesses which now bypass New England, as well as capture a market which will be drawn to suburban locations if central facilities are not available.

A hotel and office complex would reinforce North Station's regional economic role. The Federal office building would consolidate numerous offices throughout the City, thus opening opportunities for re-use of existing properties. In addition to the civic center, a new major hotel would re-establish the regional character of the district.

A transportation center consisting of a major parking facility and retail concourse would spur additional development. As the commuter rail terminus for the North Shore and the intersection of the regional highway network, it has long been planned to consolidate parking and commuter rail station facilities.

Since North Station is accessible to Boston's low income neighborhoods this growth would have a positive economic impact on employment and neighborhood revitalization. The investment in North Station would anchor those neighborhoods whose economic base once depended upon jobs in this area.

2. New Venture Firms

Good access and vacant/under-utilized ground floor and above grade space exists to accommodate a mix of commercial uses in the Bulfinch Triangle area. A number of businesses in fields relating to engineering, electronics and energy are beginning to locate in the warehouse structures. Likewise, firms which have historically been located within the district; furniture, printing and electrical supply have expansion potential. Since inventory and labor intensive activities are an important aspect of these businesses, the incentives contemplated under the enterprise legislation would facilitate the attraction of capital for their expansion.

3. Private investment in mixed use projects.

The Urban Renewal project represents an opportunity to develop some 25 acres in the downtown for a mix of commercial and residential uses. It is estimated that this project would leverage some \$438 million in private development. Significant opportunities would be provided for small businesses to locate in the office and retail space.

Proposed developments would include a total of 1,450,000 square feet of office space, 1,115 residential units, 290,000 square feet of retail, 3,700 parking spaces and a 350-room hotel.

4. Public Improvements

Two public improvements are now in planning: relocation of the Green Line elevated from Causeway Street and the widening of Lomasney Way/Merrimac Street. Relocation of the Green Line would eliminate the major blighting influence located within the heart of this district. The widening of Lomasney Way/Merrimac Street would facilitate traffic flow around the project boundaries. Congestion within the heart of the project area would be eliminated and Nashua Street could be closed providing additional land for development.

E. Applying the Enterprise Zone Concept

The North Station development strategy is dependent upon the incentives of the Enterprise Zone. The core development projects are currently marketable but lack the inducements to attract private capital. The proposed mixed use development and rehabilitation activities are labor and capital intensive and will likewise be spurred by these incentives. Private sector participation will be timed with other public investment and the consolidation of regulating controls, thus giving further dimension to this project's implementation.

1. Major Development Projects

An arena, hotel and transportation center are to be privately financed by major qualified business corporations. The arena will represent a capital investment of some \$50 million. Given the market for arena and gate show events, cash flows have been projected with some certainty. But in the various analyses which have been

carried out, there has been a short-fall. The incentives of the proposed Enterprise legislation would eliminate this deficit. Accelerated depreciation, property tax deduction, and loss carryover would insure that sufficient income would be available for debt service and operating costs.

The retail mall within the transportation center offers opportunities for various non-corporate retail businesses with sales under \$1.5 million, which would serve the commuters who traverse through North Station daily. Several incentives proposed in the legislation would assist such private investment.

2. Small Scale Business Ventures

Stimulating the growth of small business is possible with appropriate incentives within the Bulfinch Triangle area with its large stock of underutilized buildings. Recent market activity has shown the potential for the area to retain some of the remaining firms in furniture and electrical supply, as well as to attract new ventures in electronics, energy, engineering and printing. These firms would be attracted to the areas because of locational assets as well as the Enterprise Zone incentives. The Enterprise Zone incentives would also test the ability of stimulating development of small businesses as part of a larger scale renewal. Within the urban renewal project area the inducements of this legislation would encourage small scale developers and commercial enterprises to occupy and/or develop the various development parcels and proposed projects.

As small non-corporate businesses these firms would profit from the payroll tax deductions, loss carryovers, and the property tax deductions. Where acquisition and rehabilitation of property is involved, accelerated depreciation and corporate capital gains would assist in their acquisition and redevelopment. In some cases corporations might be involved in wholesale, manufacturing or residential development and would, therefore, profit by the corporate income tax and capital gains tax reductions.

3. Large Scale Privately Financed Redevelopment

Downtown Boston is a case study of public/private participation in renewal activities. Now that a renewal project is in place for North Station and the major infrastructure improvements identified, there remains a need for incentives to attract private investment. The Enterprise Zone concept offers an opportunity to test the feasibility of priming, through the private sector, the financial feasibility end of a project. Through a mix of corporate tax/payroll reduction incentives, this Enterprise Zone will test a new mechanism for financing renewal projects. Grants and other forms of subsidies which must pass through governmental entities will be augmented by a set of clearly delineated incentives.

4. Provision of Employment Opportunities

In addition to substantiating the strengths of private sector investment, the core projects would also demonstrate the positive aspects of downtown employment. Through pairing the development of these projects with various training programs, opportunities would be created for employment in hotels, the civic center and commercial enterprises.

F. Summary of Project Characteristics

The development plan for North Station will be implemented in 3-phases over the course of 15 years. Private investment is estimated to be \$500 million. Public investments by the City of Boston and by the State and Federal governments are estimated at \$105 million.

The project will generate 13,500 man years of construction jobs. Permanent jobs created will total 10,700 as follows: low skill-2,100, moderate skill-2,900, and high skill-5,700.

The Enterprise Zone designation will facilitate in Phase I the implementation of the following projects:

- o Federal office buildings containing one million square feet and employing some 3,000 persons.
- o 500,000 square foot arena providing year round sports and gate show activities attracting some 3 million tourists and visitors. The present facility is not air conditioned and as a consequence must remain vacant during much of the summer.
- o Revitalization of the Bulfinch Triangle through stimulating the rehabilitation of 775,000 square feet of commercial space for retail, office, residential and wholesale uses. This investment will generate some 1,900 new low-moderate skilled jobs which will be directly accessible to Boston's neighborhoods in need of employment opportunities.

Phase II will build upon the market opportunities identified in Phase I.

- o A transportation, office, retail and parking complex will be developed. This project will help re-establish the regional importance of this district. Small business will again be developed in conjunction with these projects.
- o Continued renovation of under-utilized warehouse space and new in-fill development in the Bulfinch Triangle will provide additional business and employment opportunities in retail, office, residential and wholesale activity. Some 410,000 square feet of new and renovated space will generate employment for 1,300 persons.

The third phase of this project, some 5-8 years distant, will consist of an island development in the Charles River. Proposed are a mix of privately financed commercial and residential uses which will offer significant employment and business opportunities. North Station will again be a regional center for commercial activity.

G. Conclusions

Private investment will be attracted into the North Station Enterprise Zone through a multi-faceted program which is built on the following basic strategy.

The physical impediments to private investments will be eliminated through planned public infrastructure improvements. These actions will prepare the area for private investment. Private investment will be attracted to the area by means of the economic incentives provided through the Urban Jobs and Enterprise Act.

The development plan for the North Station Project was completed in 1980. The project management team is in place and functioning. Funding for some of the physical improvements has been obtained and is underway. The Federal government, through the GSA, has decided to locate a major new office building in the project and the design of this building is in progress. In sum, the North Station project provides an unusual opportunity to utilize the Enterprise Zone concept to implement a major public/private development program in downtown Boston.

V. BOSTON ENTERPRISE ON LOWER WASHINGTON STREET

V. LOWER WASHINGTON STREET

A. Introduction

Designation of Lower Washington Street as an Enterprise Zone would provide the mechanism and the required incentives for the rejuvenation of Boston's Lower Washington Street/Theatre District. Opportunities for both large and small scale enterprises could be provided at three key locations. As a focus for this undertaking, the City has already begun work on locating a major television production center in the heart of its Theatre District. Here, in a central location of downtown Boston, the City has identified a site for these facilities, the major focus of which would be a national television production center. This complex would include production facilities and television studios, in addition to a major office development, new housing and commercial uses.

B. Description

The Lower Washington Street area is located on the southern edge of Boston's downtown between the retail core and Back Bay commercial districts. Developed primarily between 1890 and 1920 as a thriving theater, retail and office garment manufacturing area, the area has experienced a steady downward spiral of disinvestment. Vacancies, boarded-up buildings and tax foreclosed properties are interspersed with major commercial activities, adult entertainment uses, bars, bookstores and movie theaters. Chinatown, the location of the City's Chinese population and related commercial uses, is situated at the edge of the area.

Recent estimates of vacancy rates indicate that nearly one-quarter of the structures in the area have vacancy rates of over 50%. These vacancies are concentrated in the adult entertainment area along Lower Washington Street and in many of the thirteen theater buildings in the area.

The departure of some retail operations along Washington Street, the shrinking of Boston's garment industry and the concentration of adult entertainment activities in the "Combat Zone" are the events which have led to the deterioration and underutilization of buildings in the area. Investors, theater patrons and shoppers have deliberately avoided this part of Boston's downtown because of the existence of the adult entertainment area and the overall image of blight.

Lafayette Place to the north, Park Plaza to the west, and the Tufts New England Medical Center development to the south are major projects already underway adjacent to the district. They indicate clearly a renewed private interest which may impact and influence the future of the Lower Washington Street area.



BOSTON ENTERPRISE

LOWER WASHINGTON

C. Goals and Objectives

1. Reverse the Area's Negative Image

A major effort by the City is now underway to change the present image of the district. This will require promoting a new theme for the district and attracting the necessary capital investment. The inherent assets--its downtown location adjacent to the Boston Common, surrounded by theaters and major new private investment undertakings. The area would be a regional focus for hotels, new residential uses, research and manufacturing of communications equipment, and the design of productions for television.

2. Provide Employment Opportunities and Job Training Programs for Chinatown and Other Low Income Neighborhoods in the City

Redevelopment activities must be geared to the employment needs of Boston's residents. A diversity of skilled and semi-skilled jobs must be provided. These jobs will be linked to residential areas of high unemployment to ensure that Boston residents receive priority in hiring. The Lower Washington Street area is located between retailing, office, and manufacturing uses, affording maximum opportunities for a variety of jobs and investment by both large corporations and small businesses.

3. Stimulate New Housing Development

Because of the Lower Washington Street area's proximity to the Boston Common, Chinatown and downtown retail area, there is significant market interest in including housing as part of a development program.

D. Development Opportunities

1. Private Development Initiatives

Two large parcels are being considered for a mix of redevelopment and rehabilitation activities. Several developers have considered sites for the construction of a World Trade Center and an international hotel. This development would offer significant opportunities for large and small scale business ventures in housing and commercial owners to sell and to attract both small and large scale firms and corporations to invest in the area.

A number of properties are currently being rehabilitated for residential, manufacturing retail and theatrical use. The Boylston Building is being renovated by Wang Laboratories for manufacturing purposes and the Savoy theater is being renovated for the Boston Opera Company. Plans are being considered for the upgrading of other properties for theater, office, retail and residential use. These projects indicate the potential of this district for attracting numerous corporate and business investments in projects which will provide employment and residential opportunities.

2. Growth of New Small Business Ventures

A distinguishing characteristic of the Lower Washington Street district historically was the presence of a variety of small retail businesses, manufacturing firms, and theaters. The fact that many of these uses are no longer in existence accounts for the high vacancy rate and building deterioration. Incentives must be identified which can attract new business ventures and private investment in the area.

3. Public Sector Investment

Incentives for private investment exist in part because a variety of public revitalization programs are already in place. These activities include recent and proposed infrastructure improvements. The Downtown Crossing is a system of pedestrian improvements which have created an auto free zone in the heart of Boston's retail district. Plans for extending these improvements South along Washington Street to Stuart Street are now being prepared. Other public investments include the public/private redevelopment projects at Lafayette Place and Park Plaza and the designation of the area as a Commercial Area Revitalization District (CARD).

E. Applying the Enterprise Zone Concept

1. Development Incentives

The negative image of the area and a multitude of development issues inhibit private investment. Additional incentives are needed to encourage private land assembly, attract capital investment in mixed use projects, and induce the formation of various firms to tenant the residential and commercial space which would be developed.

A range of inducements would be provided in the Enterprise Zone which should provide the needed leverage. Capital gains deductions will encourage long-term owners to sell their property. Depreciation allowances and property tax reductions should attract equity financing.

2. New Business Incentives

A broad mix of business opportunities will benefit from the range of incentives. Investment in commercial, residential and manufacturing enterprises will take place within the Enterprise Zone, testing out the capacity for these incentives to induce various types of economic growth. Furthermore, corporate, private and non-profit investors are involved in these development activities. These ownership forms, in conjunction with the mix of land uses, will offer the broadest range of options for testing out the capacity for these incentives to induce economic growth.

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3. Employment Incentives

A number of the proposed development activities are labor intensive firms specializing in manufacturing in electronics, garment, retailing, and entertainment which would benefit by employment incentives. The range of employment opportunities and the good access which this area has to Boston's residential neighborhoods will have a beneficial impact for the entire City.

In addition, the adjacent Chinese community needs assistance in order to benefit from new development on its periphery. Opportunities for housing and new business ventures in retailing are desired, as well as new employment opportunities. By matching these needs with the proposed development activities, a development program can be formulated which upgrades Lower Washington Street and, at the same time, provides a range of opportunities for the residents of Chinatown.

F. Summary of Project Characteristics

The economic transformation of the Lower Washington Street area will occur over a five year period in a private sector-public sector partnership that will result in significant new and renovated development projects within the area. This development will create a broad range of economic activities including retail, office, medical, communications, computer technology and the performing arts. As a direct result of the investment strategy, Boston will gain a unique, new downtown neighborhood.

A total of 7,106 permanent jobs are estimated to be created as a result of these activities, with the predominant number being in office, retail, hotel and light manufacturing industries. Many of these jobs and business investments are in new fields which will have a positive impact upon the regional economy. It is estimated that 244 business ventures will be established as a result of these activities, with the largest number of opportunities being in retailing.

The development potential of this area is symbolized by the first phase of development which is already underway on the periphery of the Lower Washington Street area. This development includes the construction start of the Park Plaza Urban Renewal Project (a new State office building), the Lafayette Place project, the Theatre District improvement (Metropolitan Center), and expansion of Tufts-New England Medical Center by the construction of a new Floating Hospital and the construction of the Nutrition Center by the U.S. Department of Agriculture.

Phase II activities will represent the first significant investment to take place within the Lower Washington Street area in 40 years. The Boylston Building symbolizes the area's potential to attract high technology manufacturing firms. The Paramount Theater and Opera Theater upgrading represent a continued commitment to revitalize those theaters with the greatest renovation potential. The Lafayette Place hotel to be constructed by Pan American will provide lodging accommodations for tourist and business visitors in the heart of the downtown.

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The first... Street... A variety of... investment...

Accompanied... in the Downtown...

Project 2

A total... of... there...

Conclusion

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Phase III will expand upon the preceding mix of uses and public/private investments. The two key projects in the district, Parcels 30 and 31, will be developed. Large scale investment will be required in order to develop the residential, retail and hotel uses.

Parcel 31 will be developed for a mix of uses, including a media production center, with its associated studios, office space, and retail uses.

The last phase of the project will be the revitalization of 600 Washington Street. This commercial structure is in need of renovation or replacement. A variety of re-uses are being considered, but major development activities must occur elsewhere in the district before it is possible to attract investment to this location.

Accompanying this diversity of private investment will be a staged program of public investment. Major street and pedestrian improvements begun at the Downtown Crossing will be extended.

G. Project Costs

A total investment of nearly \$800 million is estimated for the development program. Of this total, 95% is projected to be private investment with the balance of public investment primarily in infrastructure improvements. Phase I improvements are either underway or scheduled and total nearly \$200 million.

H. Conclusions

The Urban Enterprise Zone could offer expanded opportunities to implement a comprehensive development program for the Lower Washington Street area. The proposed range of commercial, manufacturing and residential projects will reverse the area's image of blight and deterioration. Along with large scale redevelopment and rehabilitation will be the creation of a range of employment opportunities for Boston's residents. In the process, the adjacent Chinese community will be provided with employment opportunities, in addition to residential and commercial growth.

The Enterprise concept is a prerequisite for the development of this area. Appropriate incentives will induce the private sector to take the business risks which are required for this area's revitalization.

